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BOARD OF PUBLIC UTILITIES  
MAIL ROOM



**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

AUG 10 2015

*CMS*

**INITIAL DECISION SETTLEMENT**

OAL DKT. NO. PUC 03172-15

AGENCY DKT. WR15020269

**I/M/O THE PETITION OF UNITED WATER  
TOMS RIVER INC. FOR AN APPROVAL  
OF AN INCREASE IN RATES FOR WATER  
SERVICE AND OTHER TARRIFF CHANGES.**

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**Stephen B. Genzer, Esq.,** for petitioner United Water Toms River (Saul Ewing, attorneys)

**Debra F. Robinson, Esq.,** Deputy Rate Counsel, and **Christine Juarez, Esq.,** Assistant Deputy Rate Counsel for intervener the Division of Rate Counsel (Stephanie Brand, Director, attorney)

**Alex Moreau, David Wand and Christopher Psihoules,** Deputy Attorneys General, for the Staff of the Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey, attorneys)

Record Closed: August 6, 2015

Decided: August 6, 2015

**BEFORE LELAND S. McGEE, ALJ:**

*CMS*  
*Legal*  
*J. Gertsman*  
*Beslow*  
*J. Kane*  
*M. Moran*  
*M. Kammed*  
*M. Messer*  
*V. Haynes*  
*D. Thomas*

On March 4, 2015, this matter was transmitted to the Office of Administrative Law (OAL) for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and N.J.S.A. 52:14F 1 to- 13. A Public Hearing was held on May 28, 2015, in Bayville, New Jersey. During the pendency of the case at the OAL, the parties reached a Settlement. A Settlement Agreement was prepared and executed indicating the terms of the agreement, which are incorporated herein by reference.

I have reviewed the record and the terms of settlement and I **FIND**:

1. The parties have voluntarily agreed to the settlement as evidenced by their agreement or their representatives' agreement as set forth above.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1 and that the settlement should be approved. I approve the settlement and therefore **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

August 6, 2015

DATE



**LELAND S. MCGEE, ALJ**

Date Received at Agency:

August 6, 2015

Date Mailed to Parties:

Ir

Attachment

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

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**IN THE MATTER OF THE PETITION  
OF UNITED WATER TOMS RIVER INC.  
FOR APPROVAL OF AN INCREASE IN  
RATES FOR WATER SERVICE  
AND OTHER TARIFF CHANGES**

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**STIPULATION OF  
SETTLEMENT**

**BPU DOCKET NO. WR15020269  
OAL DKT. NO. PUC03172-2015N**

**APPEARANCES:**

Stephen B. Genzer, Esq., and Colleen A. Foley, Esq., Saul Ewing LLP, on behalf of United Water Toms River Inc., Petitioner

T. David Wand, Deputy Attorney General, and Christopher Psihoules, Deputy Attorney General (John J. Hoffman, Acting Attorney General of New Jersey), on behalf of the Staff of the Board of Public Utilities

Brian O. Lipman, Esq., Litigation Manager, Debra F. Robinson, Esq., Deputy Rate Counsel, and Christine M. Juarez, Esq., Assistant Deputy Rate Counsel (Stefanie A. Brand, Director), on behalf of the Division of Rate Counsel

**TO THE HONORABLE BOARD OF PUBLIC UTILITIES:**

The Parties in this proceeding are United Water Toms River Inc., (“Petitioner” or “Company”), the Division of Rate Counsel (“Rate Counsel”), and the Staff of the Board of Public Utilities (“Staff”). As a result of an analysis of Petitioner’s pre-filed testimony and exhibits, extensive discovery, and a public hearing held on May 28, 2015, in Bayville, New Jersey, the Petitioner, Staff and Rate Counsel (collectively, the “Signatory Parties”) have come to an agreement on the issues in dispute in this matter. The Signatory Parties hereto agree and stipulate as follows:

## PROCEDURAL HISTORY

1. On or about February 27, 2015, Petitioner, a public utility corporation of the State of New Jersey, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, filed a petition with the Board of Public Utilities (“Board” or “BPU”) to increase rates for water service and to make other tariff changes. Specifically, the Petitioner requested approval to increase rates to produce additional revenues of approximately \$5,208,512 or approximately 16.85% above current revenues. The test year in this proceeding was proposed to be the twelve-month period ending June 30, 2015, adjusted for known and measurable changes.
2. The Board transmitted this matter to the Office of Administrative Law (“OAL”), and Administrative Law Judge (“ALJ”) Leland S. McGee was assigned to hear the case. Pursuant to an Order effective April 25, 2015, the Board suspended rates until July 31, 2015, pursuant to N.J.S.A. 48:2-21. The Board issued a second suspension Order, effective July 31, 2015, further suspending rates until November 30, 2015. A telephone Pre-Hearing Conference was convened by ALJ McGee on April 9, 2015.
3. Extensive discovery was conducted by the Signatory Parties with the Petitioner providing responses to hundreds of data requests. After proper notice, a public hearing was held in the service territory of the Petitioner during the evening of May 28, 2015 at the Berkeley Township Municipal Building in Bayville, New Jersey. Several members of the public appeared and commented on the proposal and various water quality issues. The Company has investigated the water quality concerns raised at the Public Hearing, and responded to discovery from Staff and Rate Counsel on those issues. Most participants at the public hearing stated their opposition to the rate increase.

4. Numerous settlement discussions were held over the course of two months, and the agreements reached during those discussions have resulted in the following stipulation by the Signatory Parties.

RATE INCREASE

5. The Signatory Parties agree that for purposes of this settlement, rate base is established at \$99,400,000. The Signatory Parties agree that, for the purposes of this settlement only, an overall rate of return of 7.65% will be used, including a 9.75% return on equity and a 5.28% overall cost of long term debt, and utilizing a capital structure including 47% Long Term Debt and 53% Common Equity. The calculation of the additional revenue requirement amount is as follows:

	(000s)
Rate Base	\$ 99,400
Rate of Return	7.65%
Required Operating Income	<u>7,604</u>
Test Year Operating income	<u>6,051</u>
Deficiency	1,553
Revenue Conversion Factor	<u>1.804131</u>
Revenue Requirement	<u><u>\$2,800</u></u>

6. The Signatory Parties stipulate to a total revenue increase for the Petitioner of \$2,800,000 (the "Stipulated Rate Increase") which equates to a 9.06% increase, and recommend to the ALJ and the Board that this increase is an appropriate resolution of this matter. The Signatory Parties further acknowledge that any increase or resolution of any issue agreed to in this Stipulation shall become effective upon service of the Board Order approving this Stipulation on all parties of record unless a later date is indicated in the Board Order, consistent with N.J.S.A. 48:2-40. The Signatory Parties agree that the level of revenues resulting from the Stipulated Rate Increase is necessary to ensure that the Petitioner will continue to provide safe, adequate, and proper water service to its customers.

7. The Signatory Parties acknowledge that the Stipulated Rate Increase includes a consolidated tax adjustment.

8. The Signatory Parties agree that the tariff pages attached as Exhibit A, implementing the terms of this Stipulation, should be adopted by the Administrative Law Judge and the Board in their entirety. The agreed upon tariff includes a 5/8 inch meter fixed monthly charge of \$11.50, with larger meter sizes charging proportional fixed charges based on the size of meter. While the Signatory Parties have agreed that Public Fire charges have increased 2%, there is no increase to Private Fire Meter charges. Attached as Exhibit B is a Proof of Revenues for Petitioner supporting these tariffs based upon the agreements among the Signatory Parties as implemented.

9. The proposed base rate increase incorporates the entirety of the April 1, 2014 through March 31, 2015 DSIC recovery period. Additionally, the only other DSIC projects eligible to be included in the base rate case are those that were placed in-service between April 1, 2015 and June 30, 2015, the end of the test year. The DSIC Foundational Filing approved by the Board on March 19, 2014 in BPU Docket No. WR13111128 shall end as of the date of the Board's Order in this base rate case, and the Signatory Parties are aware of the Company's intention to file in the future a new DSIC Foundational Filing pursuant to BPU regulations. Furthermore, the Company is aware that a new DSIC Foundational Filing must be approved by the Board before any new DSIC investment and DSIC rate recovery can occur, (N.J.A.C. 14:9-10.4(b)(6)), and that the DSIC rate shall be reset to zero at the conclusion of this base rate case.

10. This Stipulation is the product of extensive negotiations by the Signatory Parties, and it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition. It is also the intent of the

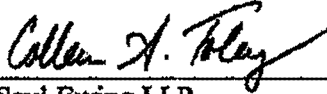
Signatory Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Signatory Parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the order adopting same as to those issues upon which the Signatory Parties have stipulated herein. The Signatory Parties agree that the within Stipulation reflects mutual balancing of various issues and positions, and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the Signatory Parties hereto expressly and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any Signatory Party hereto materially affected thereby shall not be bound to proceed under this Stipulation. The Signatory Parties further agree that the purpose of this Stipulation is to reach fair and reasonable rates, with any compromises being made in the spirit of reaching an agreement. None of the Signatory Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.



11. This Stipulation may be executed in as many counterparts as there are Signatory Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.


UNITED WATER TOMS RIVER INC.

August 4, 2015  
Date

By:   
Saul Ewing LLP  
Colleen A. Foley, Esq.  
Stephen B. Genzer, Esq.  
Attorney for Petitioners

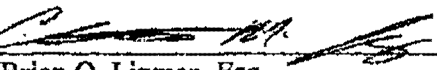
JOHN J. HOFFMAN  
ACTING ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the New Jersey  
Board of Public Utilities

8/5/15  
Date

By:   
T. David Wand, Deputy Attorney General  
Christopher M. Psihoules, Deputy Attorney General

STEFANIE A. BRAND, ESQ.  
DIRECTOR, DIVISION OF RATE COUNSEL

8/5/15  
Date

By:   
Brian O. Lipman, Esq.  
Litigation Manager  
Debra F. Robinson, Esq.  
Deputy Rate Counsel  
Christine M. Juarez, Esq.  
Assistant Deputy Rate Counsel

UNITED WATER TOMS RIVER  
BPU NO. 9 - WATER

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Filed pursuant to an April 29, 2013 decision by the Board of Public Utilities in Docket No. WR12090830

Issued: May 1, 2013

Effective: May 1, 2013  
Docket No. WR12090830

By: David Stanton, President  
200 Old Hook Road, Harrington Park, New Jersey 07840

UNITED WATER TOMS RIVER  
BPU NO. 9 - WATER

## SECTION 1

### STANDARD TERMS AND CONDITIONS

Issued: February 2, 2009

By: Dennis Ciemniecki, President  
200 Old Hook Road, Harrington Park, New Jersey 07640

Effective: November 7, 2008  
Docket No. WR08030139

STANDARD TERMS AND CONDITIONS

4. WATER MAIN EXTENSIONS

- 4.1 Applications for water main extensions shall be made in person, by telephone or by mail, at the Customer Service Office of the Company. Such applications shall be complete with all required forms. Upon receipt of such complete application, the Company will review and advise the applicant as to the most suitable plan for installing the proposed water main extension and the probable cost to the applicant.
- 4.2 Distribution mains will be extended only in public streets or highways provided that the consent of the public body responsible for the repair and maintenance of such streets or highways is first obtained, or in new streets or highways, not yet accepted, but which have been laid out according to an accepted plan approved by the appropriate authority. The Company will require an easement in cases where the streets or highways have not yet been accepted. In no case, however, will distribution mains be installed until streets or highways have been rough graded to an established and approved grade.
- 4.3 Water main extensions will be installed and deposits will be required pursuant to agreements between the Company and the applicant.
- 4.4 Each water main extension shall become part of the distribution system and shall be owned, maintained and controlled by the Company.
- 4.5 The Company will extend water service in accordance with all applicable laws of the State and Board of Public Utilities regulations and orders including but not limited to those regulations contained in N.J.A.C. 14:3-1, N.J.A.C. 14:3-6, N.J.A.C. 14:3-8, and N.J.A.C. 14:3-10.

Filed pursuant to a XXXXXXXX decision by the Board of Public Utilities in Docket No. WR15020269 .

Issued:

Effective:

By: David Stanton, President  
461 From Road, Paramus NJ 07652

Docket No. WR15020269

STANDARD TERMS AND CONDITIONS

- 5.5 A curb stop will be installed by the Company at or near the curb line, in such a manner as to permit the attachment of the customer's connecting pipe. Where the service pipe is two inches or greater in diameter, a valve will be installed at the tap for the purpose of turning on and shutting off water. Only Company employees or persons duly authorized by the Company are permitted to operate the curb stop or valve.
- 5.6 Unless otherwise agreed to by the Company, no premises shall be supplied by more than one service pipe. Where two or more end users are supplied through a single service pipe, a suitable location, approved by the Company, shall be provided for the meter.
- 5.7 Any change requested by the Customer in the location of the existing service pipe, provided such change is approved by the Company, shall be made at the expense of the Customer, who shall pay in advance the Company's estimated cost of such change.
- 5.8 Where a service pipe is available in front of a new customer's premises, said customer may obtain a larger size service pipe without charge; provided such service is established on a permanent basis. Any subsequent request for a reduction in the size of the meter shall be subject to Company approval and the payment by the customer of the difference between the cost of installing the large size service pipe and the cost of installing a service pipe normally installed for meters of the size requested by the customer.
- 5.9 Where a service pipe is available in front of a new customer's premises, said customer may obtain a smaller size meter without charge; provided such service is established on a permanent basis.
- 5.10 Where a large size service pipe has been installed at the request of a customer, in front of the premises not previously supplied, any subsequent request for a reduction in the size of the meter shall be subject to Company approval and the payment by the customer of the difference between the cost of installing the large size service pipe and the cost of installing a service pipe normally installed for meters of the size requested by the customer.

Filed pursuant to an ~~XXXXXX~~ decision by the Board of Public Utilities in Docket No. WR15020269

Issued:

Effective:

By:

David Stanton, President  
461 From Road, Paramus NJ 07652

Docket No. WR15020269

STANDARD TERMS AND CONDITIONS

- (f) As an additional condition to providing fire protection service, the Company requires the applicant to supply: (1) the name and address of the insurance company that provides the applicant with fire protection insurance for the property listed on the application; and (2) the policy number under which the fire protection is being provided, in accord with N.J.A.C. 14:3-3.2. Failure to provide this information may result in termination of service.
- (g) On a semiannual basis, the Company shall solicit from its fire protection customers: (1) the name and address of the insurance company providing fire protection insurance at the time; and (2) the policy number under which the fire protection is being provided, in accord with N.J.A.C. 14:3-7.2. The customer must respond to the Company's request for information within 14 days of the customer's receipt of the request. Failure to provide this information may result in termination of service.
- (h) No water should be used through private fire protection facilities except for permitted testing purposes or in case of fire. However, the Company must be notified at least 72 hours prior to the testing of any fire protection connection and shall be given the opportunity to witness said test.
- 8.2 The charges for private fire protection service are as follows:
- (a) The charge for private fire protection service is based on the size of the meter and shall be in accordance with Rate Schedule No. 3. The customer shall not be charged for water used solely for fire extinguishing purposes or for permitted testing purposes not in excess of 400 cubic feet per month. If water used for such purposes is billed, the customer shall be entitled to a refund upon notifying the Company of any payments made for water used solely for such purposes. Water used for any other purpose, however, shall be billed in accordance with the consumption charges shown on Rate Schedule No. 1. If requested by the Company, the customer will be required to furnish the Company with information as to the use of water for said fire extinguishing or testing purposes.
- (b) The charge for private unmetered fire protection service through hydrants owned and maintained by the Company or customer shall be in accordance with Rate Schedule No. 3 of this Tariff and is based on the service opening size installed to the company owned main. **The rate charged based on service opening size installed to the company owned main is applicable to all new connections after May 1, 2013. For connections made prior to May 1, 2013, customers will continue to be billed in the same manner as they had previously been billed.**
- (c) Bills for private fire protection service shall be rendered monthly.
- (d) Private fire protection shall not be charged where the private fire service is rendered after a master meter on a multi-use service. **A master meter on a multi-use service will be billed pursuant to Rate Schedule No. 1.**

Filed pursuant to an XXXXXXXX decision by the Board of Public Utilities in Docket No. WR15020269

Issued:

Effective:  
Docket No. WR15020269

By: David Stanton, President  
461 From Road, Paramus NJ 07652

UNITED WATER TOMS RIVER  
BPU NO. 9 - WATER

**SECTION 3**  
**RATE SCHEDULES**

Issued:

By:

David Stanton, President  
461 From Road, Paramus NJ 07652

Effective:  
Docket No. WR15020269

**UNITED WATER TOMS RIVER**  
**Summary of Revenue at Present and Proposed Rates**

Line No.	Description	Pro Forma ending December, 2015 at present Rates	Pro Forma As Stipulated	Percentage Increase
		(4)	(5)	(6)
1	Metered Revenue	\$ 28,221,808	\$ 31,472,904	11.52%
2	Private Fire	1,383,833	1,383,833	0.00%
3	Public Fire	574,362	585,684	1.97%
4	Total Fire Services	<u>1,957,995</u>	<u>1,969,317</u>	0.58%
5	Total Revenue From Sales	30,179,803	33,442,221	10.81%
6	Other Revenue			
7	Miscellaneous Revenue	264,648	264,648	0.00%
8	Unbilled Revenue	-	-	
9	Total Other Revenue	<u>264,648</u>	<u>264,648</u>	0.00%
10	Total Operating Revenue	<u>30,444,251</u>	<u>33,706,869</u>	10.72%
11	DSIC Revenue	462,836	0	
12	TOTAL	<u>\$ 30,907,087</u>	<u>\$ 33,706,869</u>	9.06%
13	Target		<u>\$ 33,707,087</u>	9.06%
14	Rounding		<u>\$ (218)</u>	
15	Consumption mgf	3,270,160	3,270,160	



**UNITED WATER TOMS RIVER**  
**Proof of Revenue v1**  
**Rates Effective Tentative August XX, 2015**

	(1)	(2)	(3)	(4)
1	Pro Forma Year at Present Rates			
2	for the Twelve Months Ended December 31, 2015			
3	<b>Fixed Charges</b>			
4	<b>Monthly</b>			
5	Meter Size	Number of Bills	Rate	Total
6				
7	5/8"	481,272	8.50	4,090,812
8	3/4"	75,480	12.75	962,370
9	1"	17,532	21.25	372,565
10	1 1/2"	3,108	42.50	132,080
11	2"	3,108	68.00	211,344
12	3"	708	127.50	90,270
13	4"	480	212.50	102,000
14	6"	96	425.00	40,800
15	8"	48	680.00	32,640
16	10"		977.50	-
17	12"			-
18		<u>581,832</u>		<u>6,034,881</u>
19	<b>Consumption Charges</b>			
20	All Metered Customers			
21			Rate	Total
22	MGL		Per Maj	
23	3,270,160		\$6.7846	22,186,727
24	Total Metered Revenue			<u>28,221,808</u>
25	<b>Fire Services</b>			
26		Number of Bills	Rate	Total
27	Private Fire			
28	1 1/2"		19.44	-
29	2"	636	34.72	22,082
30	3"	1,032	78.51	81,022
31	4"	1,968	138.90	273,355
32	6"	1,284	312.63	401,417
33	8"	540	555.77	300,116
34	10"	24	868.40	20,842
35	12"			-
36	Private HYD	10,128	28.12	284,799
37				<u>1,383,633</u>
38	Public HYD	30,600	18.77	574,382
39	Total Fire Service			<u>1,957,955</u>
40	Total Revenue from Sales			<u>30,179,803</u>
41	Miscellaneous Revenue			<u>264,648</u>
42	<b>TOTAL REVENUE</b>			<u>30,444,281</u>
43	DSIC Revenue			482,836
44	<b>TOTAL REVENUE</b>			<u>30,907,087</u>

	(5)	(6)	(7)	(8)
	Pro Forma at Proposed Rates			
	As Stipulated			
	<b>Fixed Charges</b>			
	<b>Monthly</b>			
	Meter Size	Number of Bills	Rate	Total
	5/8"	481,272	11.50	5,534,628
	3/4"	75,480	17.26	1,302,030
	1"	17,532	28.75	504,045
	1 1/2"	3,108	57.50	178,710
	2"	3,108	92.00	285,936
	3"	708	172.50	122,130
	4"	480	287.50	138,000
	6"	96	675.00	65,200
	8"	48	920.00	44,160
	10"		1,322.50	-
	12"		1,897.50	-
		<u>581,832</u>		<u>8,184,839</u>
	<b>Consumption Charges</b>			
	All Metered Customers			
			Rate	Total
	MGL		Per Maj	
	3,270,180		7.1275	23,308,065
	Total Metered Revenue			<u>31,472,004</u>
	<b>Fire Services</b>			
		Number of Bills	Rate	Total
	Private Fire			
	1 1/2"		19.44	-
	2"	636	34.72	22,082
	3"	1,032	78.51	81,022
	4"	1,968	138.90	273,355
	6"	1,284	312.63	401,417
	8"	540	555.77	300,116
	10"	24	868.40	20,842
	12"		1,544.02	-
	Private HYD	10,128	28.12	284,799
				<u>1,383,633</u>
	Public HYD	30,600	19.14	585,684
	Total Fire Service			<u>1,969,317</u>
	Total Revenue from Sales			<u>33,442,221</u>
	Miscellaneous Revenue			<u>264,848</u>
	<b>TOTAL REVENUE</b>			<u>33,708,869</u>
	DSIC Revenue			-
	<b>TOTAL REVENUE</b>			<u>33,708,869</u>

45	Target	33,707,087
46	Rounding	(218)
47	Increase	2,800,000
48	% Increase	9.06%

49 **Notes:**  
50 Overall Increase \$2,800,000 or 9.06%  
51 Public Fire Increases 2%